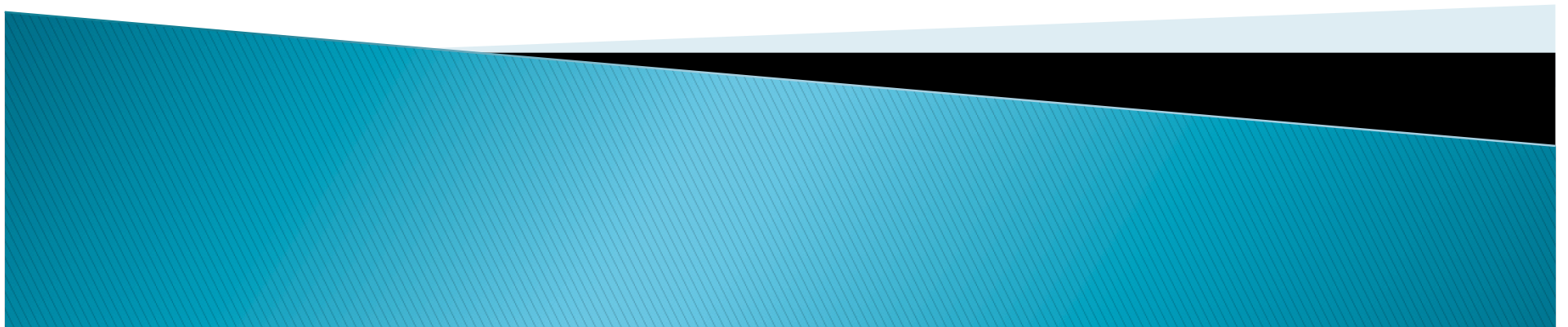


Western States Land Commissioners Asset Management Committee

Texas General Land Office
Asset Management/Funds Management Presentation

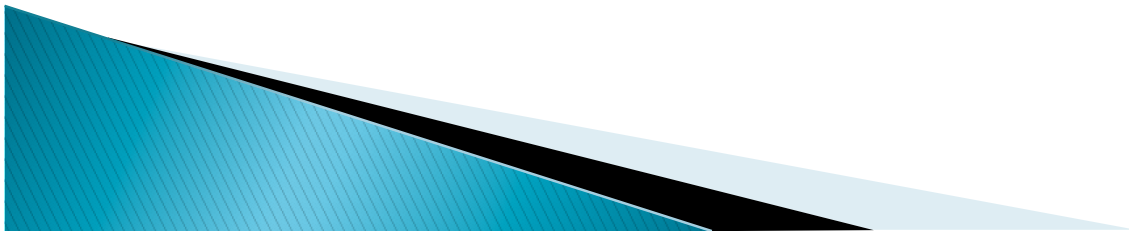


Asset Management

- Hal Croft – Deputy Commissioner
- Robert Siddall – Director of Inventory and Disposition
- Scott Carter – Director Portfolio Management

Funds Management

- Rusty Martin – Deputy Commissioner/Chief Investment Officer
- Bill Wood – Real Assets Portfolio Manager



Introduction

History and Objectives

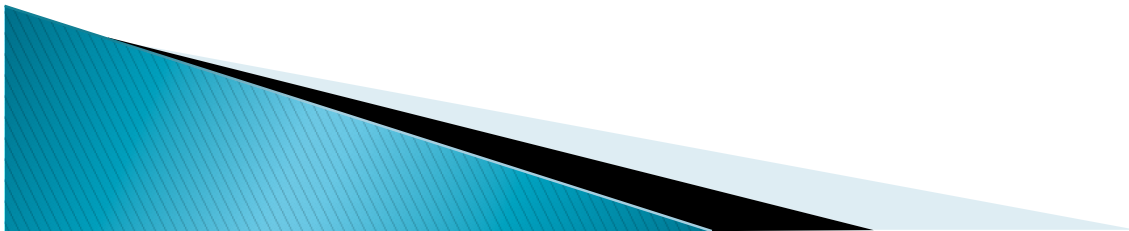
Sovereign Land Portfolio Overview

Internal Real Estate Portfolio Overview

External Real Assets Portfolio Overview

The Future

Q & A

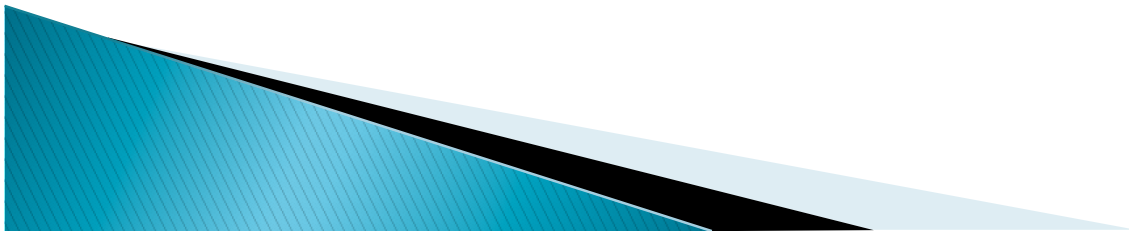


Introduction

Organization

School Land Board

Divisions



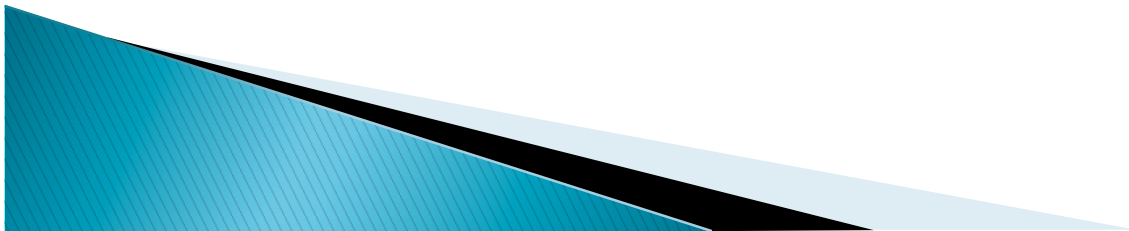
History and Objectives

In The Beginning

HB 3558 2001

Real Estate Funds

Focus on Diversification



Sovereign Land Portfolio Overview

One Million Rural Acres

Lease, Trade, or Sell

Disposition Process

Tract Resolution Team



Internal Real Estate Portfolio Overview

Current Portfolio

Historical Performance

❑ IRR Challenges

Current Efforts

Case Studies

❑ Avondale

❑ Riverwalk





Quarterly Investment Report

TXGLO

Permanent School Fund Real Assets Investment Portfolio

April 1 - June 30, 2011

Summary of Investments - Internal Portfolio

Investment	Investment Type	Acquisition/Sold Date	Capital Called - Investments	Capital Called - Expenses	Capital Returned	Income Distributed	Historical Cost	Net Asset Value	Current Quarter - Total Return Net of Fees	Inception - Total Return Net of Fees	IRR
Investment A	Core / Industrial	Aug 26, 2005	3,814,251	16,963	-	1,363,380	3,814,251	3,329,819	1.79%	3.75%	4.19%
Investment B	Non-Core / Vacant Land	Oct 14, 2003	7,702,102	65,719	-	283	7,702,102	14,139,825	0.00%	8.07%	8.32%
Investment C	Non-Core / Vacant Land	Aug 24, 2005	27,192,954	103,702	-	118,287	27,192,954	20,494,384	0.04%	-5.72%	-4.78%
Investment D	Core / Other	Aug 22, 2003	14,940,949	4,074	-	7,046,066	14,940,949	16,180,520	1.47%	7.15%	7.13%
Investment E	Non-Core / Vacant Land	May 23, 2005	780,336	18,021	-	-	780,336	945,000	-0.35%	2.25%	2.83%
Investment F	Core / Industrial	Dec 16, 2003	8,185,500	17,388	-	4,027,008	8,185,500	6,300,000	2.34%	4.02%	3.92%
Investment G	Non-Core / Vacant Land	Jul 13, 2007	30,015,700	46,609	74,566	-	29,941,134	23,885,249	-2.11%	-5.62%	-6.32%
Investment H	Non-Core / Vacant Land	Jan 25, 2006	4,289,534	65,302	-	7,798	4,289,534	5,289,481	0.04%	3.80%	3.70%
Investment I	Non-Core / Vacant Land	Feb 28, 2003	2,265,548	71,947	9,986	593,687	2,255,562	3,443,566	0.11%	7.63%	7.57%
Investment J	Non-Core / Vacant Land	Apr 20, 2006	5,003,613	4,741	2,372,142	299,183	2,631,471	1,680,000	0.00%	-6.94%	-4.76%
Investment K	Non-Core / Separate Account	Apr 07, 2011	2,368,629	-	-	-	2,368,629	2,315,149	N/A	N/A	-2.26%
Investment L	Non-Core / Other	Dec 28, 2005	4,560,003	2,327	-	1,728,076	4,560,003	11,526,572	0.53%	21.00%	22.78%
Investment M	Non-Core / Vacant Land	May 12, 2004	20,888,003	120,030	7,086,401	7,914,495	13,801,602	20,507,412	0.04%	10.76%	12.16%
Investment N	Core / Industrial	Mar 29, 2010	2,897,500	-	-	-	2,897,500	2,766,757	0.24%	-3.63%	-3.61%
Investment O	Non-Core / Vacant Land	Aug 24, 2005	15,861,017	15,644	-	13,500	15,861,017	16,500,000	-0.01%	0.40%	0.67%
Investment P	Non-Core / Vacant Land	Aug 16, 2006	5,113,520	15,938	-	-	5,113,520	2,092,000	-0.04%	-8.08%	-7.95%
Investment Q	Non-Core / Vacant Land	Nov 22, 2004	1,438,534	19,175	-	-	1,438,534	1,429,000	0.00%	-0.97%	-0.30%
Investment R	Non-Core / Vacant Land	Oct 14, 2005	25,710,761	130,739	21,636	278,151	25,689,124	21,225,541	0.12%	-5.16%	-3.45%
Investment S	Core / Vacant Land	Jan 10, 2006	15,603,500	11,950	7,710,534	3,398,037	7,892,966	4,700,000	-0.01%	-2.16%	0.26%
Investment T	Non-Core / Vacant Land	Jan 10, 2006	14,656,544	80,354	-	17,375	14,656,544	8,698,886	0.02%	-11.06%	-9.40%
Investment U	Non-Core / Vacant Land	Aug 17, 2005	6,584,334	22,920	-	7,597	6,584,334	5,498,850	0.02%	-5.41%	-3.06%
Investment V	Non-Core / Vacant Land	Jun 17, 2005	26,669,886	213,459	-	240,354	26,669,886	22,055,856	0.05%	-4.02%	-3.08%
Investment W	Non-Core / Vacant Land	Dec 03, 2010	2,115,442	715	-	10,000	2,115,442	2,117,442	0.28%	0.54%	0.53%
Investment X	Non-Core / Vacant Land	Nov 18, 2005	22,036,809	93,101	3,250,825	1,433,976	18,785,985	14,638,420	0.04%	-2.33%	-2.57%
Investment Y	Non-Core / Separate Account	Apr 25, 2011	6,000,000	-	-	-	6,000,000	6,074,745	N/A	N/A	1.25%
Investment Z	Non-Core / Vacant Land	Aug 12, 2005	3,902,317	16,245	-	9,065	3,902,317	3,864,700	-0.03%	-0.40%	-0.20%
Investment AA	Non-Core / Vacant Land	Apr 28, 2005	6,465,830	26,425	-	827	6,465,830	5,275,000	0.00%	-4.19%	-3.32%
Investment BB	Core / Other	Jan 27, 2006	5,130,577	290,500	-	536,031	5,130,577	6,473,226	-0.10%	4.32%	6.12%
Investment CC	Non-Core / Vacant Land	May 01, 2002	13,094,915	86,165	11,291,900	33,484,032	1,802,115	15,491,168	0.02%	24.38%	44.33%
Investment DD	Non-Core / Vacant Land	Aug 03, 2005	34,857,321	30,507	-	17,010	34,857,321	28,389,449	0.00%	-3.91%	-3.42%
Investment EE	Core / Vacant Land	Feb 27, 2004	8,917,500	62,430	6,662,243	7,786,332	2,255,257	2,000,000	0.00%	30.31%	21.39%
Investment FF	Non-Core / Other	Aug 29, 2005	5,529,990	30,279	-	-	5,529,990	4,417,000	-0.04%	-3.90%	-3.88%
Investment GG	Non-Core / Vacant Land	Jun 24, 2005	7,698,529	36,269	-	48,432	7,698,529	5,250,913	0.04%	-6.25%	-6.41%
Totals			360,291,047	1,438,209	38,480,234	70,378,981	321,810,813	308,996,127			



Quarterly Investment Report

TXGLO

Permanent School Fund Real Assets Investment Portfolio

April 1 - June 30, 2011

Summary of Investments - Internal Portfolio

Investment	Investment Type	Acquisition/Sold Date	Capital Called - Investments	Capital Called - Expenses	Capital Returned	Income Distributed	Historical Cost	Net Asset Value	Current Quarter - Total Return Net of Fees	Inception - Total Return Net of Fees	IRR
Sold Assets											
Investment 1	Sold / Vacant Land	Feb 29, 2008	3,710,639	152,086	3,710,639	3,984,362	N/A	N/A	N/A	40.01%	44.50%
Investment 2	Sold / Vacant Land	Jul 28, 2005	5,016,672	1,200	5,016,672	1,624,723	N/A	N/A	N/A	23.53%	22.52%
Investment 3	Sold / Vacant Land	May 02, 2008	3,613,839	28,998	3,613,839	751,211	N/A	N/A	N/A	4.07%	6.39%
Investment 4	Sold / Vacant Land	Jan 16, 2008	7,430,897	24,050	7,430,897	13,623,767	N/A	N/A	N/A	25.41%	36.76%
Investment 5	Sold / Vacant Land	Dec 05, 2008	103,680	108	103,680	248,673	N/A	N/A	N/A	29.86%	23.73%
Investment 6	Sold / Vacant Land	Apr 08, 2011	9,403,000	30,214	9,403,000	2,631,303	N/A	N/A	N/A	6.31%	5.80%
Investment 7	Sold / Vacant Land	Oct 03, 2007	4,891,530	-	4,891,530	7,455,084	N/A	N/A	N/A	47.99%	54.76%
Investment 8	Sold / Vacant Land	Nov 06, 2009	10,700	-	10,700	8,124	N/A	N/A	N/A	10.82%	10.65%
Investment 9	Sold / Vacant Land	Dec 31, 2009	1,855,242	81	1,772,300	3,000,084	N/A	N/A	N/A	30.98%	47.41%
Investment 10	Sold / Vacant Land	Jul 07, 2006	458,090	2,500	458,090	407,743	N/A	N/A	N/A	59.02%	59.62%
Investment 11	Sold / Vacant Land	Apr 07, 2011	11,977,400	8,000	11,977,400	4,266,959	N/A	N/A	N/A	7.48%	8.26%
Investment 12	Sold / Vacant Land	May 30, 2008	4,276,015	19,400	4,276,015	15,433,985	N/A	N/A	N/A	70.59%	74.27%
Investment 13	Sold / Vacant Land	Apr 03, 2007	2,567,000	13,132	2,567,000	2,457,681	N/A	N/A	N/A	36.02%	26.01%
Investment 14	Sold / Vacant Land	Mar 25, 2008	3,864,283	27,840	3,864,283	2,288,394	N/A	N/A	N/A	10.97%	22.07%
Investment 15	Sold / Vacant Land	Apr 11, 2008	493,950	30	493,950	487,726	N/A	N/A	N/A	35.47%	36.70%
Investment 16	Sold / Office	Dec 08, 2009	4,017,074	408,404	4,017,074	4,014,986	N/A	N/A	N/A	14.58%	14.19%
Investment 17	Sold / Office	Nov 19, 2010	3,000,000	-	3,000,000	252,000	N/A	N/A	N/A	6.88%	7.62%
Investment 18	Sold / Vacant Land	Aug 23, 2006	2,515,510	17,224	2,515,510	2,072,796	N/A	N/A	N/A	31.06%	31.53%
Investment 19	Sold / Vacant Land	Apr 15, 2007	1,809,733	513	1,809,733	5,222,900	N/A	N/A	N/A	25.43%	31.64%
Investment 20	Sold / Vacant Land	Jul 13, 2007	9,433,603	31,247	9,433,603	21,529,569	N/A	N/A	N/A	20.53%	25.98%
Investment 21	Sold / Vacant Land	Oct 23, 2003	20,189,669	2,717	20,189,669	6,906,759	N/A	N/A	N/A	6.63%	22.12%
Investment 22	Sold / Vacant Land	Oct 23, 2003	7,716,318	603	7,716,318	2,639,704	N/A	N/A	N/A	12.64%	22.07%
Investment 23	Sold / Industrial	Jun 30, 2011	100,104,841	49,175	100,104,841	41,312,478	N/A	N/A	N/A	6.76%	7.19%
Investment 24	Sold / Vacant Land	Feb 08, 2008	9,004,336	105,609	9,004,336	6,479,626	N/A	N/A	N/A	42.95%	34.20%
Totals			217,464,064	923,133	217,381,122	149,480,639	-	-			
Grand Totals			577,755,111	2,381,342	255,861,356	219,859,620	321,810,813	308,996,127	2.73%	9.01%	7.94%

The total returns include results for assets that have been sold.

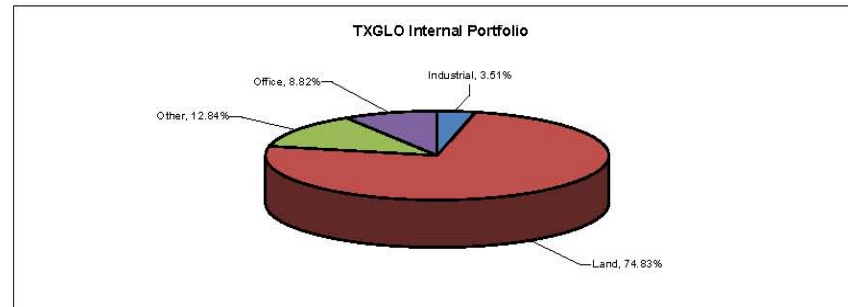
Historical cost is calculated for the internal portfolio as capital called for investments less capital returned.

1. Industry standards exclude the partial quarter returns in calculation of quarterly and time weighted returns. Standards also exclude partial periods prior to the funding of any investments.



Quarterly Investment Report
TXGLO
Permanent School Fund Real Assets Investment Portfolio
 April 1 - June 30, 2011

Gross Market Value by Property Type - Internal Portfolio



Property Type	Gross Market Value	% of Portfolio
Industrial	11,775,442	3.51%
Land	250,707,000	74.83%
Other	43,005,512	12.84%
Office	29,542,739	8.82%
Totals	335,030,693	100.00%

Historical Performance



Texas General Land Office
Internal Rate of Return

For Period 01 Jan 1900 To 30 Jun 2011

Description	Annualized ROR	Fair Market Value
Real Estate Assets	3.19	308,996,127
Investment A	4.19	3,329,819
Investment B	8.32	14,139,825
Investment C	(4.78)	20,494,584
Investment D	7.13	16,180,520
Investment E	2.83	945,000
Investment F	3.92	6,300,000
Investment G	(6.32)	23,885,249
Investment H	3.70	5,289,481
Investment I	7.57	3,443,566
Investment J	(4.76)	1,680,000
Investment K	(2.26)	2,315,149
Investment L	22.78	11,526,572
Investment M	12.16	20,507,412
Investment N	(3.61)	2,766,757
Investment O	0.67	16,500,000
Investment P	(7.95)	2,092,000
Investment Q	(0.30)	1,429,000
Investment R	(3.45)	21,225,541
Investment S	0.26	4,700,000
Investment T	(9.40)	8,698,886
Investment U	(3.06)	5,498,850
Investment V	(3.08)	22,055,856
Investment W	0.53	2,117,442
Investment X	(2.57)	14,638,420
Investment Y	1.25	6,074,745
Investment Z	(0.20)	3,864,700
Investment AA	(3.32)	5,275,000
Investment BB	6.12	6,473,226
Investment CC	44.33	15,491,168
Investment DD	(3.42)	28,389,449
Investment EE	21.39	2,000,000
Investment FF	(3.88)	4,417,000
Investment GG	(6.41)	5,250,913



Texas General Land Office

Internal Rate of Return

For Period 01 Jan 1900 To 30 Jun 2011

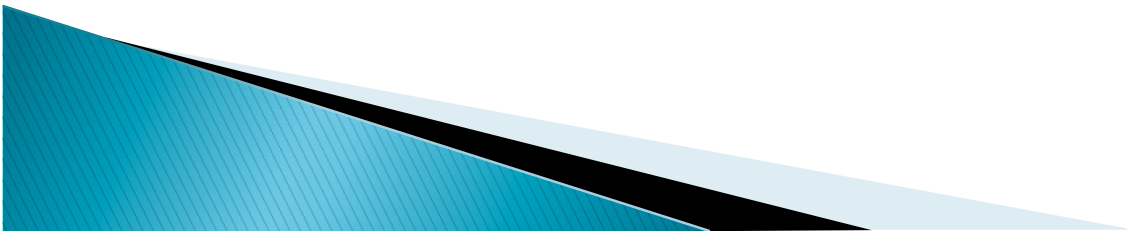
Description	Annualized ROR	Fair Market Value
<i>PSF RE Investment Portfolio - Internal</i>	7.94	308,996,127
Liquidated	16.93	0
Alamo Downs	44.50	0
Brandt Road	22.32	0
Castle Hills 2	6.39	0
Chudleigh Farms	36.76	0
Eastland	23.73	0
Eldridge Parkway	5.80	0
Hays County Mixed Use	54.76	0
Henderson County VLB Tract	10.65	0
Jester Unit 2	47.41	0
Kerville State Hospital	59.62	0
Kirby	8.26	0
Red Bird Ranch	74.27	0
Retrieve Unit	26.01	0
Reunion Village	22.07	0
Rusk State Hospital 1	36.70	0
Starr Building	14.19	0
Starr Building - Note Receivable	7.62	0
State Support Center	31.53	0
Sugarland #2	31.64	0
Sugarland #3	25.98	0
Sugarland #4	22.12	0
Sugarland #5	22.07	0
Wal-Mart Distribution Center	7.19	0
Westland Business Park	34.20	0

Texas General Land Office
Internal Rate of Return
For Period 01 Jan 1900 To 30 Jun 2011

Description	IRR
<i>PSF RE Investment Portfolio - Internal</i>	16.93
Liquidated	
Alamo Downs	44.50
Brandt Road	22.32
Castle Hills 2	6.39
Chudleigh Farms	36.76
Eastland	23.73
Eldridge Parkway	5.80
Hays County Mixed Use	54.76
Henderson County VLB Tract	10.65
Jester Unit 2	47.41
Kerville State Hospital	59.62
Kirby	8.26
Red Bird Ranch	74.27
Retrieve Unit	26.01
Reunion Village	22.07
Rusk State Hospital 1	36.70
Starr Building	14.19
Starr Building - Note Receivable	7.62
State Support Center	31.53
Sugarland #2	31.64
Sugarland #3	25.98
Sugarland #4	22.12
Sugarland #5	22.07
Wal-Mart Distribution Center	7.19
Westland Business Park	34.20

**11 Assets sold in 2007-2008 returning \$80,114,305 on a
\$51,095,867 Investment (157%)**

Current Efforts



Texas General Land Office
Discretionary Investment Portfolio
33 Total Assets
PSF RE Investment Portfolio - Internal

Description	Annualized ROR	Fair Market Value
Real Estate Assets		
Investment A	4.19	3,329,819
Investment B	8.32	14,139,825
Investment C	(4.78)	20,494,584
Investment D	7.13	16,180,520
Investment E	2.83	945,000
Investment F	3.92	6,300,000
Investment G	(6.32)	23,885,249
Investment H	3.70	5,289,481
Investment I	7.57	3,443,566
Investment J	(4.76)	1,680,000
Investment K	(2.26)	2,315,149
Investment L	22.78	11,526,572
Investment M	12.16	20,507,412
Investment N	(3.61)	2,766,757
Investment O	0.67	16,500,000
Investment P	(7.95)	2,092,000
Investment Q	(0.30)	1,429,000
Investment R	(3.45)	21,225,541
Investment S	0.26	4,700,000
Investment T	(9.40)	8,698,886
Investment U	(3.06)	5,498,850
Investment V	(3.08)	22,055,856
Investment W	0.53	2,117,442
Investment X	(2.57)	14,638,420
Investment Y	1.25	6,074,745
Investment Z	(0.20)	3,864,700
Investment AA	(3.32)	5,275,000
Investment BB	6.12	6,473,226
Investment CC	44.33	15,491,168
Investment DD	(3.42)	28,389,449
Investment EE	21.39	2,000,000
Investment FF	(3.88)	4,417,000
Investment GG	(6.41)	5,250,913
TOTAL:		308,996,127
Six assets under long term leases		

Texas General Land Office
Discretionary Investment Portfolio
27 Total Assets
PSF RE Investment Portfolio - Internal

Description	Annualized ROR	Fair Market Value
Real Estate Assets		
Investment B	8.32	14,139,825
Investment C	(4.78)	20,494,584
Investment E	2.83	945,000
Investment G	(6.32)	23,885,249
Investment H	3.70	5,289,481
Investment J	(4.76)	1,680,000
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Investment M	12.16	20,507,412
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Investment Y	1.25	6,074,745
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Investment CC	44.33	15,491,168
Investment DD	(3.42)	28,389,449
Investment EE	21.39	2,000,000
Investment FF	(3.88)	4,417,000
Investment GG	(6.41)	5,250,913
TOTAL:		261,742,424

Four assets which operate as joint ventures

Texas General Land Office
Discretionary Investment Portfolio
23 Total Assets
PSF RE Investment Portfolio - Internal

Description	Annualized ROR	Fair Market Value
Real Estate Assets		
Investment B	8.32	14,139,825
Investment C	(4.78)	20,494,584
Investment E	2.83	945,000
Investment H	3.70	5,289,481
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Investment CC	44.33	15,491,168
Investment DD	(3.42)	28,389,449
Investment EE	21.39	2,000,000
Investment FF	(3.88)	4,417,000
Investment GG	(6.41)	5,250,913
TOTAL:		226,700,524

Seven commercial assets; new applications applied



Texas General Land Office
Discretionary Investment Portfolio
16 Total Assets
PSF RE Investment Portfolio - Internal

Description	Annualized ROR	Fair Market Value
Real Estate Assets		
Investment B	8.32	14,139,825
Investment C	(4.78)	20,494,584
Investment H	3.70	5,289,481
Investment M	12.16	20,507,412
Investment O	0.67	16,500,000
Investment R	(3.45)	21,225,541
Investment T	(9.40)	8,698,886
Investment U	(3.06)	5,498,850
Investment V	(3.08)	22,055,856
Investment X	(2.57)	14,638,420
Investment Z	(0.20)	3,864,700
Investment CC	44.33	15,491,168
Investment DD	(3.42)	28,389,449
Investment EE	21.39	2,000,000
Investment FF	(3.88)	4,417,000
Investment GG	(6.41)	<u>5,250,913</u>
TOTAL:		208,462,083

Three assets under contract to sell



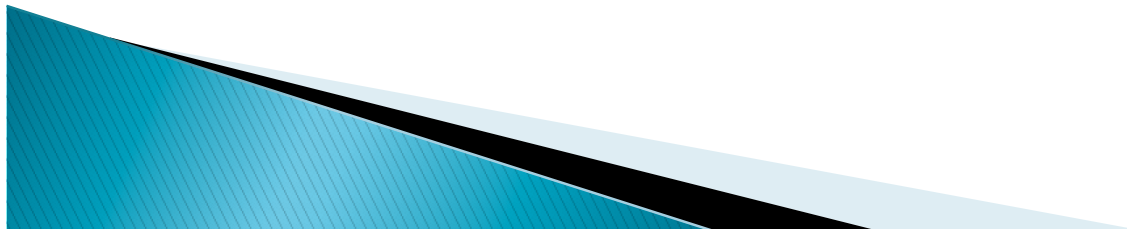
Texas General Land Office
Discretionary Investment Portfolio
13 Total Assets
PSF RE Investment Portfolio - Internal

Description	Annualized ROR	Fair Market Value
Real Estate Assets		
Investment B	8.32	14,139,825
Investment C	(4.78)	20,494,584
Investment H	3.70	5,289,481
Investment M	12.16	20,507,412
Investment R	(3.45)	21,225,541
Investment T	(9.40)	8,698,886
Investment U	(3.06)	5,498,850
Investment V	(3.08)	22,055,856
Investment X	(2.57)	14,638,420
Investment Z	(0.20)	3,864,700
Investment CC	44.33	15,491,168
Investment DD	(3.42)	28,389,449
Investment GG	(6.41)	<u>5,250,913</u>
TOTAL:		185,545,083

Four of the remaining assets are large commercial parcels requiring subdividing and entitlements to maximize profits



Nine of the remaining assets are large tracts of land suitable for single family back multi use subdivisions and require subdividing and entitlements to maximize profits



Case Studies

- ☐ Avondale
- ☐ Riverwalk





Avondale



Comparable Sales
Investor Purchases of Unentitled Land

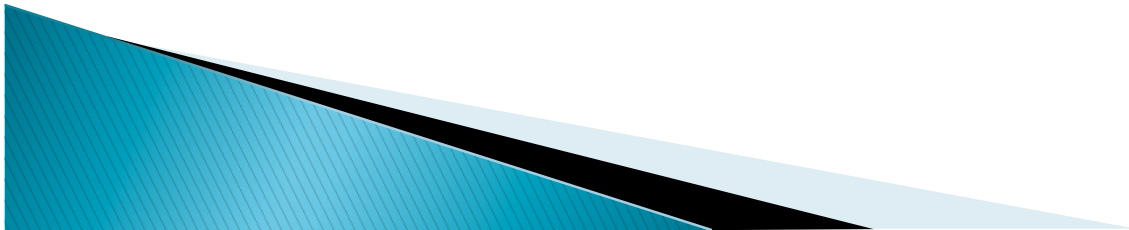
The following purchases represent similar transactions in the immediate area. In each case the investor purchased un-entitled land with the intent to entitle and plan for the future sale to a homebuilder. The escrow periods for these transactions typically exceeded one year and in some cases spanned several years. An aerial photo showing these properties in relation to the subject property is provided on the following page.

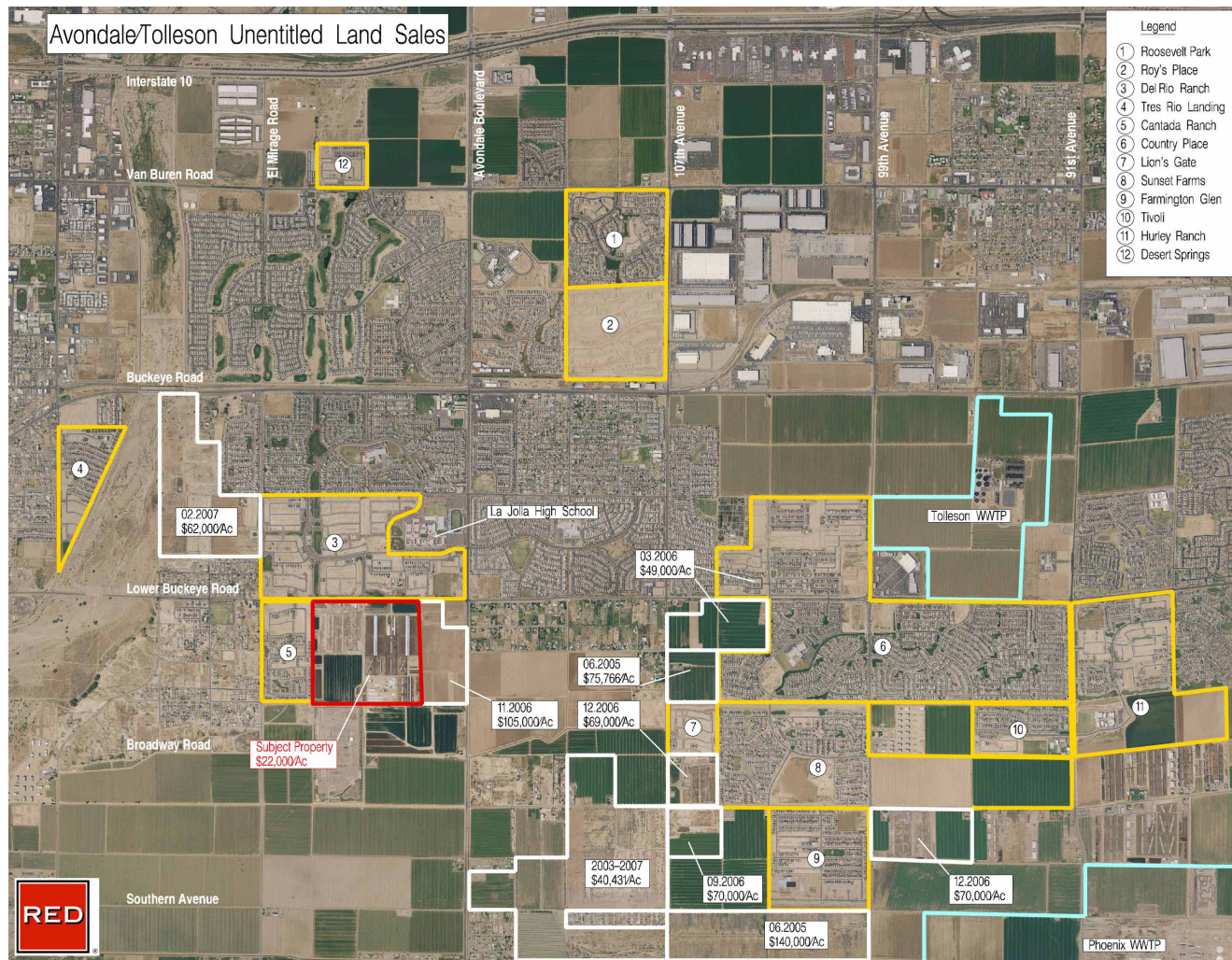
Comparable Sales:

<u>Date</u>	<u>Location</u>	<u>Acres</u>	<u>Price</u>	<u>Price/Acre</u>
6/2005	N/NEC 107th Avenue & Broadway	36.95	\$2,800,000	\$75,766
6/2005	S/SEC 107th Avenue & Broadway	143	\$20,000,000	\$140,000
3/2006	SEC 107th Avenue & Lower Buckeye	67.95	\$3,300,000	\$49,000
9/2006	SEC 107th Avenue & Broadway	38.86	\$2,720,000	\$70,000
11/2006	SWC Avondale & Lower Buckeye	50.8	\$5,338,542	\$105,000
12/2006	SEC 99th Avenue & Broadway	71.83	\$5,028,240	\$70,000
12/2006	NEC 107th Avenue & Broadway	34.52	\$2,382,800	\$69,000
Varies	SWC 107th Avenue & Broadway	328	\$13,261,550	\$40,431
2/2007	NWC El Mirage & Lower Buckeye	174.1	\$10,800,000	\$62,000
			Average:	\$68,119

Subject Property:

<u>Date</u>	<u>Location</u>	<u>Acres</u>	<u>Price</u>	<u>Price/Acre</u>
3/2010	119th Avenue & Lower Buckeye	165	\$3,630,000	\$22,000





Comparable Sales

Homebuilder Purchases of Platted and Engineered Land

The following purchases represent similar transactions in the immediate area. In each case a homebuilder purchased entitled, platted and engineered land and subsequently commenced construction of a residential subdivision. An aerial photo showing these properties in relation to the subject property is provided on the following page.

Comparable Sales:

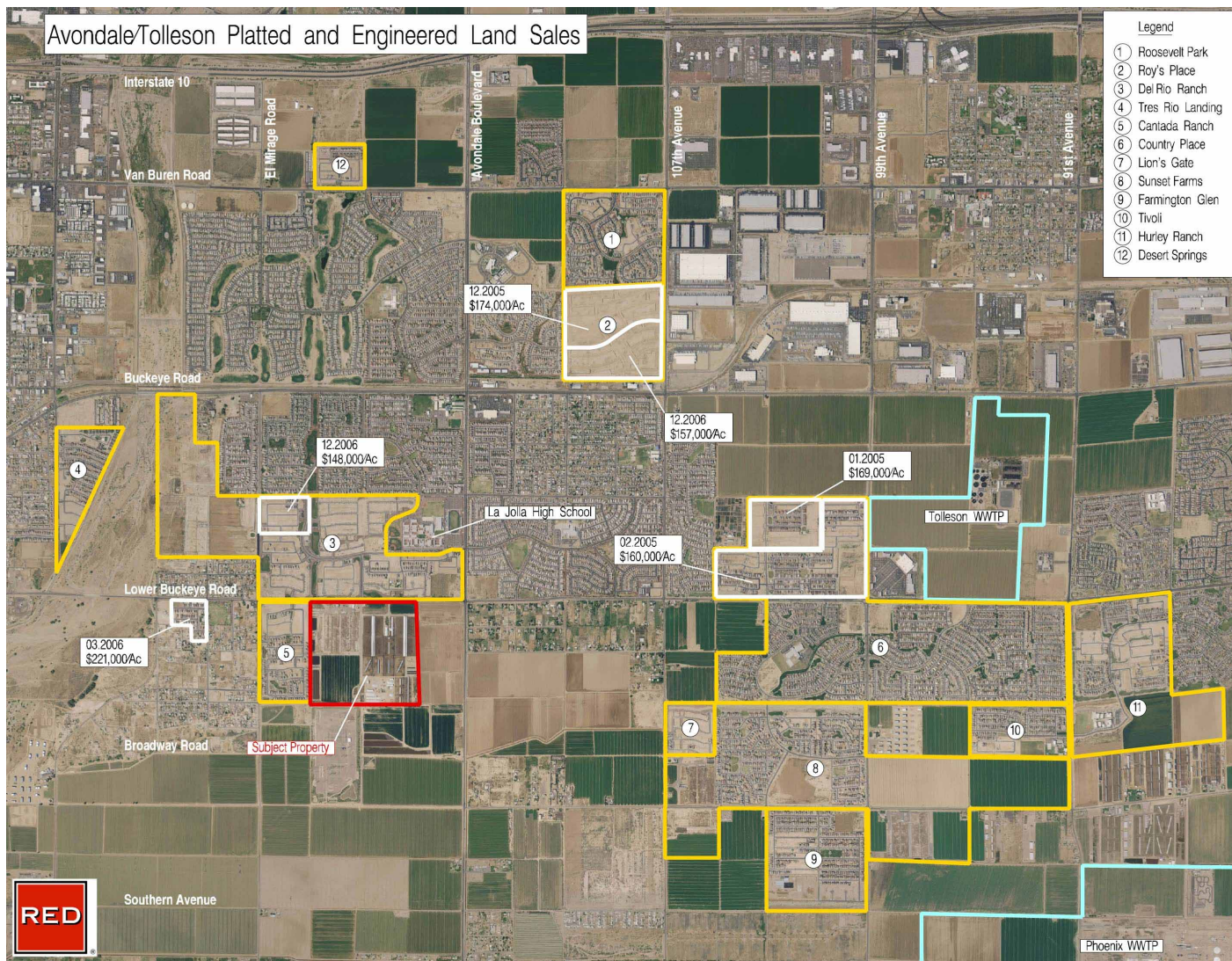
<u>Date</u>	<u>Buyer</u>	<u>Location</u>	<u>Acres</u>	<u>Price</u>	<u>Price/Acre</u>
1/2005	Richmond American	NWC 99th & Lower Buckeye	57.88	\$9,785,192	\$169,012
2/2005	Richmond American	NWC 99th & Lower Buckeye	205	\$32,800,000	\$160,000
12/2005	Beazer	NWC 107th & Buckeye	77.56	\$13,764,464	\$174,240
3/2006	Richmond American	SWC 125th & Lower Buckeye	14.92	\$3,300,000	\$221,000
12/2006	Beazer	NWC 107th & Buckeye	63.31	\$10,000,000	\$157,952
12/2006	Concordia	NEC El Mirage & Lower Buckeye	23.69	\$3,510,000	\$148,163
				Average:	\$171,727

Subject Property:

(Estimated Sale to Homebuilder)

<u>Date</u>	<u>Buyer</u>	<u>Location</u>	<u>Acres</u>	<u>Price</u>	<u>Price/Acre</u>
2014 (est)	Homebuilder	119th & Lower Buckeye	150	\$9,961,000	\$66,407



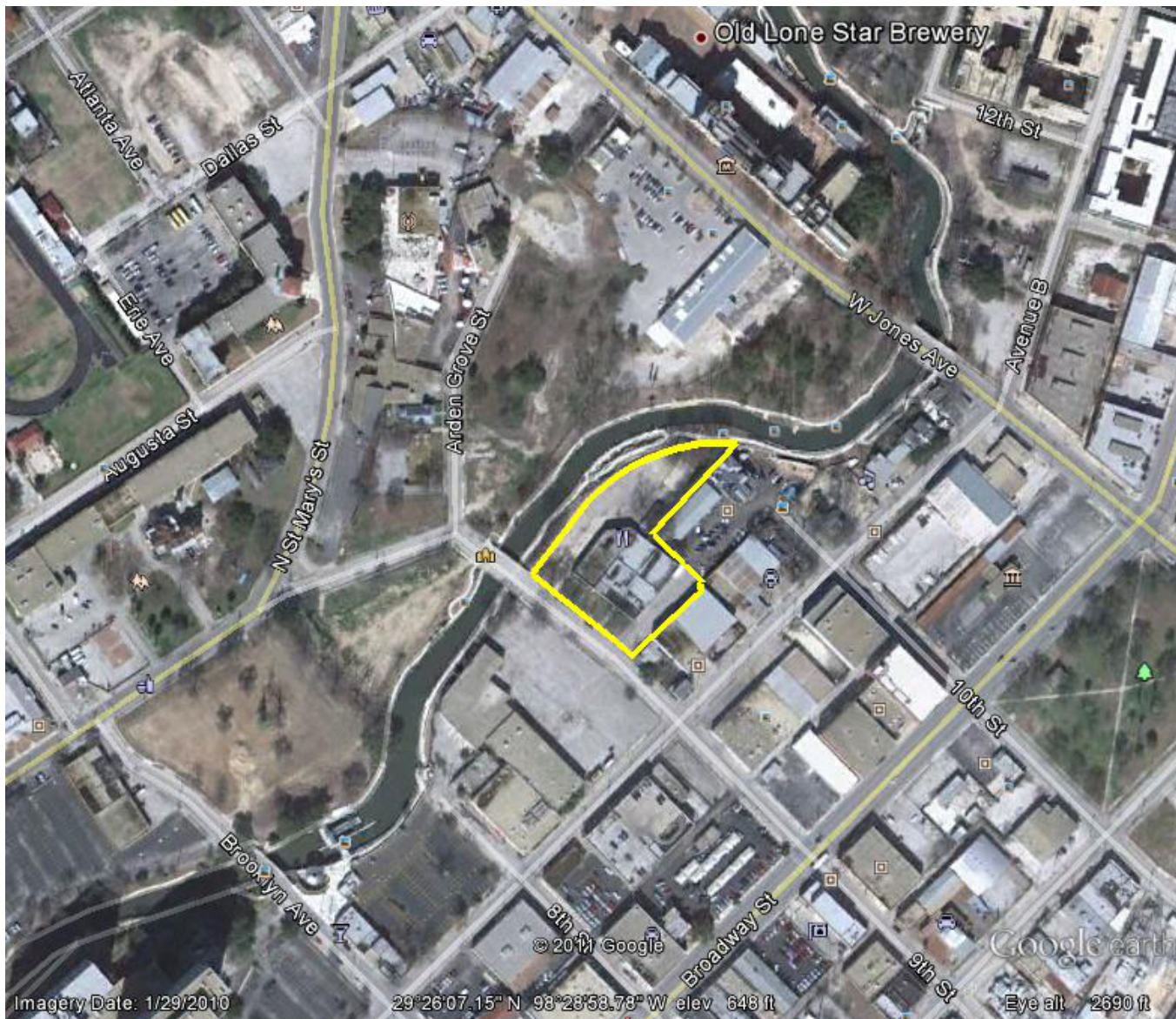




Riverwalk











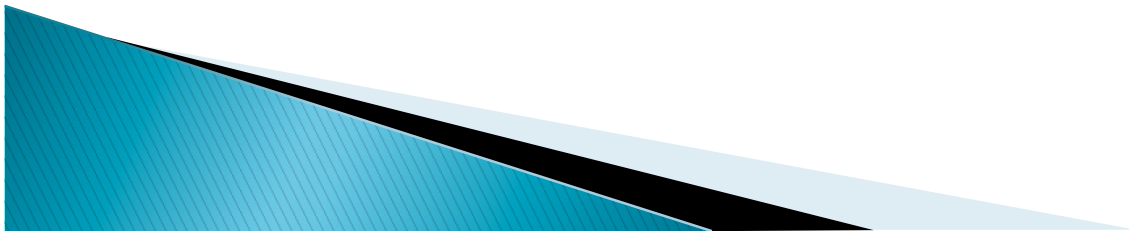


External Real Assets Portfolio Overview

External Management

- ❑ 28 Managers
- ❑ 36 Funds
- ❑ 3 Co-Investments

Portfolio Value at 6/30/2011 \$1.2B



External Real Assets Portfolio Overview

(continued)

Allocation Targets

- ☐ Real Estate: 50%
- ☐ Infrastructure: 25%
- ☐ Energy: 25%

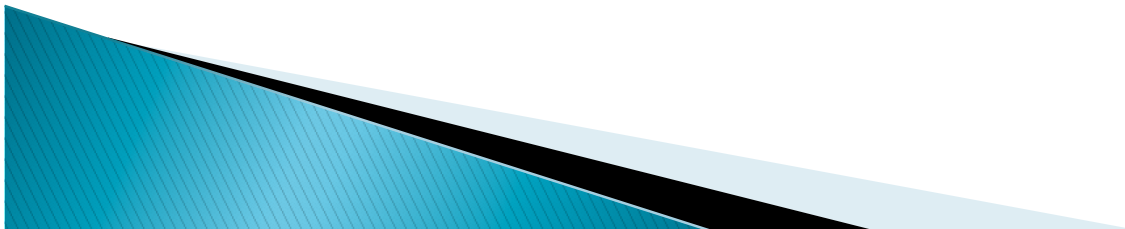
Current Allocations

(Based On Commitments)

63%
20%
17%

Focus on Co-Investments

- ☐ Energy
- ☐ Energy Infrastructure

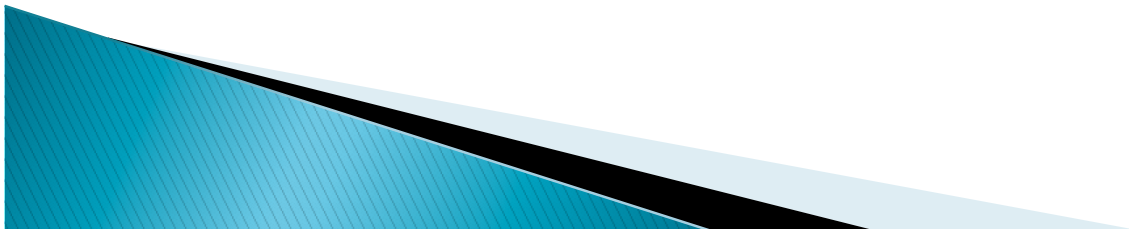


External Real Assets Portfolio Overview

(continued)

Initial Due Diligence

- ☐ Review of PPM & Supporting Documents
- ☐ Portfolio Strategy
- ☐ Information Gathering (Meetings & Documents)
- ☐ Investment Advisor (The Townsend Group)
- ☐ Due Diligence Report/Reference Checks
- ☐ Investment Advisory Committee
- ☐ School Land Board Approval
- ☐ Investment Set-up (Legal Documents Finalized)

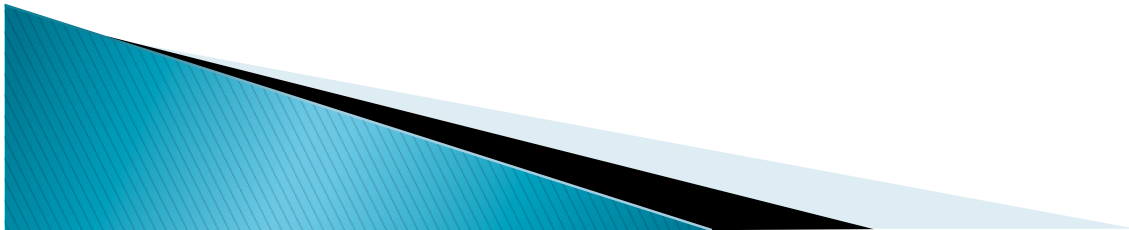


External Real Assets Portfolio Overview

(concluded)

On-Going Due Diligence

- ☐ Quarterly Performance
- ☐ Benchmarks
- ☐ Quarterly Reports
- ☐ Investor Meetings and Calls
- ☐ Investment Advisory Board Meetings and Calls
- ☐ Market Conditions
- ☐ Valuations



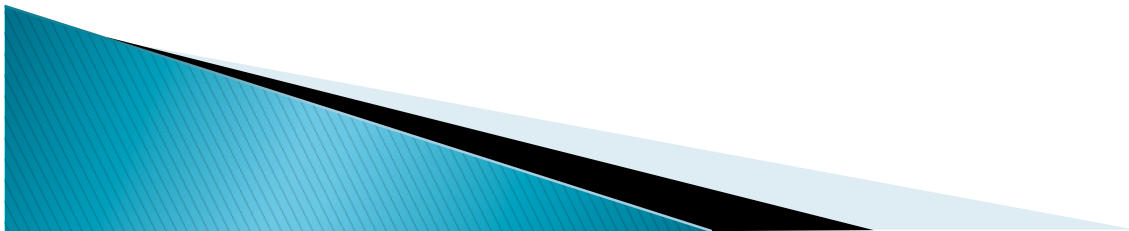
The Future

Real Estate Funds

Investment in Texas

Portfolio Management

Legislative Changes



Q & A

